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BEFORE THE ARIZONA CORPORATION COMMISSION

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2010 JUN 21 P 3: 54

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
LAGOON ESTATES WATER COMPANY,
INC. FOR APPROVAL OF A RATE
INCREASE.

DOCKET NO. W-01825A-09-0345

STAFF'S NOTICE OF FILING OF
RESPONSES TO COMPANY'S MAY 18,
2010 FILING

The Utilities Division of Arizona Corporation Commission ("Staff") hereby gives notice of
filing of its responses to Lagoon Estates Water Company's answers to the questions addressed in the
April 26, 2010 Procedural Order.

RESPECTFULLY SUBMITTED this 21st day of June, 2010.

Wesley C. Van Cleve
Attorney, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
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Original and thirteen (13) copies
of the foregoing filed this
21st day of June, 2010, with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Copy of the foregoing mailed this
21st day of June, 2010, to:

Stanley Miller, Controller
LAGOON ESTATES WATER COMPANY, INC.
2600 North 44th Street, Suite 208
Phoenix, Arizona 85008

Arizona Corporation Commission

DOCKETED

JUN 21 2010

DOCKETED BY

Roseann Osorio

**Staff's Response
To
Lagoon Estates Water Company's Required Answers to Questions
Per Procedural Order, Dated April 26, 2010
Docket No. W-01825A-09-0345**

- 1. What is Lagoon's response to the customer comments regarding water discoloration and water quality problems?**

Staff's response: Lagoon's response is reasonable.

Staff person responding: Marlin Scott, Jr., Staff Engineer

- 2. How frequently do Lagoon's water systems experience water discoloration?**

Staff's response: Lagoon's response is reasonable.

Staff person: Marlin Scott, Jr., Staff Engineer

- 3. What is Lagoon's explanation for any water discoloration?**

Staff's response: Lagoon's response is correct.

Staff person: Marlin Scott, Jr., Staff Engineer

- 4. Has Lagoon tested the discolored water to ensure that it complies with Arizona Department of Environmental Quality maximum contaminant level standards? (If so, please provide copies of the test results.)**

Staff's response: Lagoon's response is acceptable. Since "color" is a secondary contaminant, as shown in Lagoon's submitted Annual Drinking Water Quality Report (Consumer Confidence Report ("CCR")), this color secondary standard is non-enforceable. As stated in the CCR, EPA recommends secondary standards to the water systems but do not require them to comply.

Staff person: Marlin Scott, Jr., Staff Engineer

- 5. What has Lagoon done to remedy any water discoloration issues on its systems?**

Staff's response: Lagoon's response is reasonable.

Staff person: Marlin Scott, Jr., Staff Engineer

6. **How frequently has Lagoon had water service interruptions on its systems from January 1, 2008, to the present?**

Staff's response: Yes, Staff does have outage reports. There were no outages in 2008 and 2010. There was 1 outage on May 26, 2009 that lasted 9 hours.

If there were more than this 1 outage it was not reported to the ACC. According to the company's response there were 20 outages.

Staff person responding: Carmen Madrid, Staff Consumer Services

7. **What is Lagoon's explanation for any such water service interruptions?**

Staff's response: In the case of the 1 outage reported to the ACC, the cause was a pump malfunction – company had to replace pump.

Staff person: Carmen Madrid, Staff Consumer Services

8. **Why did Lagoon irrigate a local youth sports field at no charge during the TY?**

Staff's response: Company's response is self explanatory & reasonable.

Staff person: Carmen Madrid, Staff Consumer Services

9. **Which of Lagoon's water systems irrigated the sports field?**

Staff's response: Lagoon's response of 86-021 is not correct. The correct system number is PWS #08-021 (Larger System).

Staff person: Marlin Scott, Jr., Staff Engineer

10. **How much water was provided and over what period of time?**

Staff's response: Lagoon did not respond to this question.

11. **Was the water provided to irrigate the sports field included in the water pumped figure provided by Lagoon for one of its systems for the TY?**

Staff's response: Lagoon did not respond to this question.

12. **Is the sports field associated with a Lagoon customer account?**

Staff's response: Company's response is self explanatory & reasonable.

Staff person: Carmen Madrid, Staff Consumer Services

- 13. If so, how much would have been charged to the account for the irrigation water provided during the TY if Lagoon had used its tariffed rates for the applicable meter size to charge for the irrigation water?**

Staff's response: Staff notes that while the Company did not include the \$3,978 for watering the field in its test year revenue, this would not have resulted in a change to Staff's recommended rates for the Company. While the inclusion of these revenues would have reduced the amount of Staff's recommended revenue increase, it would not have changed Staff's targeted revenue requirement.

Staff person responding: Darak Eaddy, Staff Finance and Rate Analysis

- 14. How does Lagoon typically provide irrigation water to its customers?**

Staff's response: Company's response is self explanatory & reasonable.

Staff person: Carmen Madrid, Staff Consumer Services

- 15. How does Lagoon typically bill for irrigation water provided to its customers?**

Staff's response: Company does not have a tariff for irrigation services and, correctly, does not bill for such services.

Staff person: Carmen Madrid, Staff Consumer Services

- 16. Does Lagoon desire to have an approved irrigation rate?**

Staff's response: Staff agrees with the Company's position and concurs that no irrigation rate is needed. The Company has no irrigation customers and, but for the unique circumstances with the school field, has not provided such services.

If irrigation services are not needed in the Company's service area, Staff does not believe an irrigation rate should be enacted, as this may encourage inefficient water usage.

Staff person: Darak Eaddy, Staff Finance and Rate Analysis

- 17. If so, what irrigation rate is proposed?**

Staff's response: Lagoon did not respond to this question.

- 18. What is Lagoon's explanation for the excessive water loss experienced by its smaller system during the TY?**

Staff's response: Lagoon's response is reasonable.

Staff person: Marlin Scott, Jr., Staff Engineer

19. What is Lagoon's current practice regarding construction water?

Staff's response: Company's response is self explanatory & reasonable.

Staff person: Carmen Madrid, Staff Consumer Services

20. How does Lagoon currently provide construction water--through unassigned standpipes used by multiple customers (if so, how many), through assigned meters used by one customer each (if so, how many construction meters are there and of what size), or through both unassigned standpipes and assigned construction meters?

Staff's response: Company's response is self explanatory & reasonable.

Staff person: Carmen Madrid, Staff Consumer Services

21-22. How does Lagoon bill for construction and standpipe water?

Staff's response: Company's response is self explanatory and reasonable. Because the Company does have a certain amount of bulk water sales, Staff found it appropriate to recommend a tariffed rate. Staff adds that in the Staff Report on Schedule DRE-4, page 1 of 2, Staff recommended a construction rate for all usage. Staff has amended this schedule to reflect that Staff's recommendation was intended to apply to all bulk water usage and not solely construction. Staff's amended Schedule DRE-4, page 1 of 2, is included in this response.

Staff person: Darak Eaddy, Staff Finance and Rate Analysis